

# **EXHIBIT**

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CONFIDENTIAL - DAVID STOLLOW, CPA  
UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re:	:	
	:	Master File No.
Global Brokerage, Inc.	:	1:17-cv-00916-RA
F/k/a FXCM, Inc.	:	
Securities Litigation	:	
-----	:	

**REMOTE VIDEO DEPOSITION VIA ZOOM OF:**

**DAVID STOLLOW, CPA**

**MONDAY, JANUARY 25, 2021**

REPORTED BY:  
SILVIA P. WAGE, CCR, CRR, RPR  
JOB NO. 4398807

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2        were aware in which E&Y, specifically, evaluated  
3        or looked into whether Effex, specifically,  
4        should be disclosed in FXCM's financial  
5        statements as a related party?

6                   A. Uh-huh. So this gets into a broader  
7        conversation. When we start in 2015 and 2016 as  
8        the NFA and CFTC allegations are being brought  
9        forth more publically, the discussion and  
10       analysis in the 2016 work papers, which you  
11       started to refer to before, became more  
12       prominent. We did assess the allegations in  
13       relation to our financial statements that were  
14       publically available still in 2014, in 2015, in  
15       2016 based on those allegations and for a host of  
16       reasons believed that they were fairly presented  
17       and accurate from an audit financial statement  
18       opinion.

19                  Q. So, prior to the NFA and CFTC  
20        investigations --

21                  A. Uh-huh.

22                  Q. -- was there any year in which E&Y,  
23        specifically, inquired as to whether Effex should  
24        be disclosed as a related party in FXCM's  
25        financial statements?

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2 A. If we inquired, I do not recall.

3 Q. Do you recall whether E&Y had any  
4 discussions with FXCM management in that period  
5 prior to the CFTC and NFA investigations about  
6 Effex, specifically, with FXCM's management?

7 A. There was no recollection of  
8 discussions about Effex in relation to -- as you  
9 just said, prior to the NFA and CFTC items being  
10 referenced in 2015 and 2016.

11 Q. In the course of auditing FXCM's  
12 annual and periodic financial statements in the  
13 period between Fiscal Year 2010 and Fiscal  
14 Year 2016, did E&Y consider or determine whether  
15 FXCM should be reporting Effex as presenting a  
16 potential conflict of interest?

17 MR. TABAK: Objection to form.

18 MS. COREY: Objection to form.

19 Joined.

20 A. That's a very broad question, but  
21 let's -- as it relates to the financial  
22 statements that we were opining on as it relates  
23 to the financial statements in the public domain  
24 for 2014, 2015 and 2016, we did assess that and  
25 for a host of reasons did not -- we concurred. I

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2 MR. LaPOINTE: Sorry. That's -- both  
3 I and other Counsel in this have had that issue.  
4 There's similarity between FXCM and Effex. So  
5 I'll strike the question and attempt to rephrase.

6 Q. In the course of auditing FXCM's  
7 annual and periodic financial statements in  
8 Fiscal Years 2010 through 2013, did E&Y consider  
9 or determine whether FXCM should be reporting its  
10 relationship with Effex as a potential VIE?

11 MR. TABAK: Objection to form.

12 MS. COREY: Joined.

13 A. Based on our recollection, there was  
14 no recollection of discussion of Effex as it  
15 relates to related party considerations.

16 Q. Did E&Y at anytime discuss with FXCM  
17 management whether Effex should be disclosed or  
18 reported as a VIE?

19 A. Not to our knowledge during 20 --  
20 you're referring to 2010 to 2013, correct?

21 Q. This one is during anytime. So I'm  
22 asking about really if there were such  
23 discussions in the 2014 through 2016 period.

24 A. In the 2014 through 2016 period, we  
25 did have discussions, obviously, looking at the

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2 overall evaluation.

3 Q. Thank you.

4 So I direct your attention down to  
5 the last paragraph on the first page beginning,  
6 "In 2009, FXCM management hired an algorithmic  
7 trader named John Dittami" --

8 A. Yes.

9 Q. -- ('Dittami') for the purpose of  
10 developing an algorithm to address the need for  
11 liquidity in the market for retail customers."

12 Do you see that?

13 A. I do.

14 Q. When did E&Y first learn of this  
15 arrangement described here between John Dittami  
16 and FXCM?

17 A. When did we first learn it? I cannot  
18 tell you, specifically, but it's generally over  
19 the course of the CFTC and NFA communications,  
20 which is primarily the 2015, 2016 time frames.

21 Q. So would it be fair to say that in  
22 2010 through 2013 E&Y had not, specifically,  
23 discussed Mr. Dittami with anybody from FXCM?

24 A. So we were -- and this is from  
25 recollection and discussions with the previous

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2       audit partners as well -- aware of Effex as a  
3       liquidity provider from a transactional  
4       perspective. So I can comment as to that.

5           As to the specifics of what you're  
6       asking for here, no. But I just want to make  
7       sure the context of the response is appropriate.

8           Q. And I appreciate the clarification  
9       again.

10           Just to be very clear --

11           A. Uh-huh.

12           Q. -- is the testimony that E&Y was  
13       aware that there was a liquidity provider called  
14       Effex during that 2010 to 2013 period?

15           A. Yes.

16           Q. Was E&Y aware of Effex's relationship  
17       with John Dittami or in connection with John  
18       Dittami in that period between 2010 and 2013?

19           MR. TABAK: Objection to form.

20           MS. COREY: Joined.

21           MR. TABAK: I just want to make sure  
22       -- can the Court Reporter can read back the  
23       question there. I just want to make sure, Brent,  
24       it's the one that you intended to ask. It may  
25       be. I just want to make sure.

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2       the view that operating this algorithm within  
3       Forex would be inconsistent with the no dealing  
4       desk arrangement that FXCM used to market itself  
5       to customers but operating the model as an  
6       independent liquidity provider would not."

7           Do you see that?

8           A. Yes.

9           Q. And it continues, "Thus the company  
10      determined that Dittami would operate under a  
11      services agreement whereby Forex would be  
12      compensated based on the volume of transactions  
13      sent to Dittami (an arrangement referred to as  
14      "pay for flow')."

15           Do you see that?

16           A. I do.

17           Q. Did FXCM disclose to E&Y this  
18      arrangement described in this paragraph in Fiscal  
19      Years 2010 through 2013?

20           MR. TABAK: Object to form.

21           A. Our recollection is that payment for  
22      order flow was mentioned in the services  
23      agreement itself in terms of the payment for  
24      order flow. The references to the earlier part  
25      of the entire relationship we were not, to our

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2       knowledge, aware prior to --

3       Q. Go ahead.

4       A. -- NFA and CFTC allegations.

5       Q. Thank you.

6           And then it continues a little bit.

7       A little further down there is a sentence that  
8       begins, "in exchange," about the middle of the  
9       first paragraph on the second page.

10           Do you see that?

11       A. No -- oh, yes, "in exchange for the"

12       --

13       Q. "In exchange for the pay for flow  
14       compensation that Forex would be receiving from  
15       Effex, Forex agreed to make available to Effex  
16       certain bid/ask and other market quote  
17       information for transactions prior to execution."

18           Do you see that?

19       A. Yes, I do.

20       Q. And then it continues, "Under the  
21       Forex/Effex arrangement, to the extent Effex can  
22       provide more favorable pricing or match the  
23       quotes available for a particular transaction,  
24       the transaction would be awarded to them as the  
25       liquidity provider."

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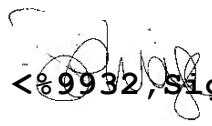
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2 C E R T I F I C A T E O F R E P O R T E R

3 I, SILVIA P. WAGE, a Certified Shorthand  
4 Reporter, Certified Realtime Reporter and Registered  
5 Reporter, hereby certify that the witness in the  
6 foregoing deposition was by me duly sworn to tell  
7 the truth, the whole truth, and nothing but the  
8 truth in the within-entitled cause; that said  
9 deposition was taken down in shorthand by me, a  
10 disinterested person, at the time and place  
11 therein stated, and that the testimony of the  
12 said witness was thereafter reduced to  
13 typewriting, by computer, under my direction and  
14 supervision; that before completion of the  
15 deposition, review of the transcript [X] was [ ]  
16 was not requested. If requested, any changes  
17 made by the deponent (and provided to the reporter)  
18 during the period allowed are appended hereto.

19 I further certify that I am not of counsel  
20 or attorney for either or any of the parties to  
21 the said deposition, nor in any way interested in  
22 the event of this cause, and that I am not  
23 related to any of the parties thereto.

24   
<%9932,Signature%>

25 dated: 2/4/2021

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